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"THE HATCHERY"

BUILDINGS 149 and 199

BOSTON NAVAL SHIPYARD AT CHARLESTOWN

Response to the request for additional information from the Boston Redevelopment Authority

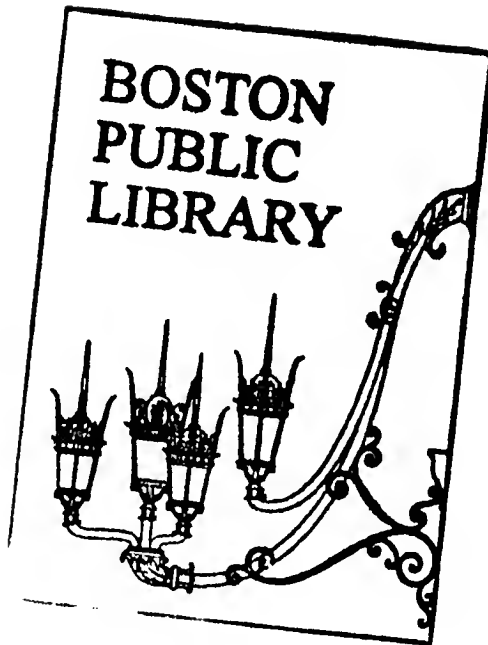
November 23, 1983

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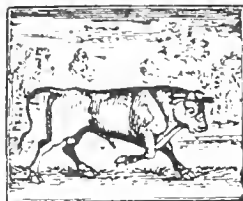
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RAYMOND CATTLE COMPANY

Investment Management

November 23, 1983

Mr. Robert J. Ryan
Director
Boston Redevelopment Authority
City Hall
Boston MA 02201

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Dear Bob:

In recent weeks we have been making an increasing effort to develop responses to the questions and requirements for clarification raised by the staff of the Boston Redevelopment Authority regarding the proposal of Raymond Cattle Company for the development of Buildings 149 and 199 in the Boston Naval Shipyard at Charlestown. During this period I have made an effort to try to articulate more accurately the concept which motivated me to become as enthusiastic as I am about this project.

"The Hatchery" is the name which we think sums up this project. I am enclosing a brief writeup of the concept which is embodied in this project name, "The Hatchery". We have enclosed this as part of our response package to the staff of the Boston Redevelopment Authority.

From a personal point of view, I have been involved in the restoration and adaptive use approach to redevelopment for a number of years, and I take a great deal of personal pride in the projects I have completed in Boston. If I have established any sort of reputation in the City, I hope it is one for being creative on one hand, but also, on the other, dogged in my persistence in completing a task. For better or for worse, I am a little bit older and wiser now than I was when I started in this field some 20 years ago and, frankly, I have not found another project in recent years which excites me as much as "The Hatchery" does.

We trust that the enclosed response package answers the requests for additional information made by your staff and that we can arrange for a presentation of our concept and development proposal to you and your staff.

Mr. Robert J. Ryan

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November 23, 1983

We will be calling soon to make arrangements for a convenient meeting time and look forward to working with the Boston Redevelopment Authority on this project.

Sincerely yours,

Neil St. John Raymond

Enclosure



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"THE HATCHERY"

BUILDINGS 149 and 199

BOSTON NAVAL SHIPYARD AT CHARLESTOWN

Response to the request for
additional information from the
Boston Redevelopment Authority

November 23, 1983

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A development proposal regarding Buildings 149 and 199 in the Boston Naval Shipyard at Charlestown by Raymond Cattle Company has been provided to the Boston Redevelopment Authority. The following is a response to the request for certain additional information and clarification regarding this proposal.

1. Summary of Concept

Boston today is a center for financial innovation and technological research and development. New directions are being set in electronics, biogenetics, technology, and other fields at an astounding rate. It is in the best interest of Boston to remain the stimulus to this creativity.

One means for continuing this tradition is "The Hatchery". This is the name for an adaptive re-use project proposed by the Raymond Cattle Company, as Developer, at the Boston Naval Shipyard. The major thrust of "The Hatchery" is to provide the needed space to young entrepreneurial companies which are in the forefront of technological evolution.

Of parallel and equal importance to its innovativeness is the City's entrepreneurial spirit. The many established companies of the Boston area which are the successes of other generations provide the momentum for new start-up companies. The assets of Boston's substantial venture capital community provide needed risk-oriented investment funds for such concerns. The colleges and universities provide the strong technical base from which the great leaps forward can occur.

Equally important has been, until recently, the availability of inexpensive space located in close proximity to the City's academic and financial centers. East Cambridge and the Boston Waterfront are specific examples. Today increasing real estate development pressure has drastically decreased the amount of space available to these young innovators. "The Hatchery" is an effort to provide the physical investment in the environment for start-up businesses to incubate, grow, and flourish to the benefit of all concerned.

These young organizations provide the best entry level opportunities in Boston to the broadest employment spectrum. "The Hatchery" will provide a much needed home for such growth within the City. Because the small businesses of Boston have always been the mass employers of its residents, encouraging new business development offers the greatest means to continue Boston's economic growth and diversification. "The Hatchery" supports these needs and, in turn, benefits the City of Boston and its people.

2. "The Hatchery" Development Team

A. Architect/Landscape Architect

Steffian Bradley Associates, Inc., Architects and Planners, 66 Canal Street, Boston MA 02114

We have selected this firm because of its familiarity with the subject structures, as well as its previous experience in similar projects, particularly the Harvard Community Health Plan Kenmore Center and Management Offices at the former S. S. Pierce and Firestone Tire and Rubber Company warehouses. This project combined a parking facility, a staged occupancy and the adaptive re-use of a structure similar to Buildings 149 and 199.

B. Marketing

Leggat, McCall and Werner, 60 State Street Boston MA 02109

We have elected to work with this firm on the basis of its expertise in the field of marketing and leasing industrial space in the Greater Boston area. Their experience in leasing space to firms located on Route 128 gives them a greater sensitivity to the needs of and constraints on start-up businesses which we will be attracting to Charlestown. This firm has also worked closely with other members of "The Hatchery" team on previous development projects and will require less time for familiarization and coordination of effort with other team members.

C. Legal Counsel

Sullivan and Worcester, One Post Office Square, Boston MA 02109

Sullivan and Worcester serves as General Counsel to Raymond Cattle Company and its various endeavors.

D. Financing

Bank of New England, 28 State Street, Boston MA 02109, Attention John A. Sullivan, Vice President

This bank is the only major commercial Boston bank with an office in Charlestown and has demonstrated to date a substantial interest in and sensitivity to the Boston

Naval Shipyard at Charlestown. In addition, this is a bank with which the Developer has had previous experience. A letter of support for the proposed development project will be forthcoming from this bank.

E. Contractor

Aberthaw Construction Company, 60 State Street, Boston MA 02109

Aberthaw Construction Company, as a subsidiary of Cabot, Cabot & Forbes Co., has had substantial experience through the years in industrial space development, both in the Boston area and in other parts of this country. In addition to construction for CC&F Aberthaw is presently providing construction services to others, and third party clients of this firm are now approximately 1/2 of its total volume. The Developer has enjoyed a relationship with CC&F over the years, and it is presently felt that this relationship would be of benefit to all concerned in this project as well.

F. Engineer

An engineering firm has not yet been selected; however, three candidate firms have been identified. Final selection will be made after designation and further consultation with Steffian Bradley Associates and Aberthaw Construction Company.

The above members of the development team have been selected by the Developer on the basis of professional qualifications and experience. Final financial arrangements will be made pending designation, and substitution or modification may be required. If so, selection will be done on the basis of similar criteria.

3. Building Dimensions

Gross Square Footages: *

Building #149	808,637
Building #199	696,960

Overall dimensions of these buildings originate from Survey Reports prepared for the Boston Redevelopment Authority by Booz-Allen.

Net Rentable Square Footage *

Building #149	745,165
Building #199	670,288

*Including roofs of each building

Net rentable space was calculated on the basis of the consultant report and drawings prepared by Steffian Bradley Associates for the Boston Redevelopment Authority in 1980.

As discussed in detail below, Building 199 will be converted primarily for parking purposes. Floors 8 and 9 in Building 199 will be converted in the same fashion as Building 149. A detailed analysis of gross and net rental space for each building on a floor-by-floor basis is included as Schedule 1.

4. Building Utilization

A. Telecommunications Facility

"The Hatchery" shall have as a potential focal point of development a telecommunications facility located on the roof levels. Such a facility has previously been described as a "Teleport" and would be, in fact, an antenna installation that would provide communication services in conjunction with geosynchronous satellites in high earth orbit.

Although telecommunications facilities normally have to overcome several constraints in order to be successful, the siting of such a facility at "The Hatchery" addresses several such issues. The facilities are in keeping with the technological emphasis of the enterprises expected to be housed there. In addition, the site has the benefit of being both far enough away from the Downtown area so as neither to cause nor encounter interference from other microwave links, as well as being close to a wide range of potential users, thereby spreading the base cost of the communication service.

These systems can be extended to other areas of the City, as well as to Cambridge and beyond, through a fiber-optic linkup. The major users would be large volume information processors such as life insurance firms, banks, financial institutions, retailers, and technically oriented companies.

It is the intention of the Developer to pursue the Teleport in the following manner:

Stage One:

After tentative designation, we will undertake a market analysis to identify the base user community, the regularity of use, the variation in needs, the growth potential of the service, and to develop a marketing strategy.

Stage Two:

Upon completion of Stage One, a feasibility analysis which matches Stage One results with available technology as well as evolving equipment and systems will be undertaken.

Stage Three

Finally, a financial analysis will be performed to determine threshold and optimum user bases, operating costs, fee scales and management options.

Although it is the Developer's opinion that a Boston-based Teleport can satisfy regional demand, it is not critical to the overall success of "The Hatchery". The Teleport shall only be considered as an ancillary use of a portion of the premises. The pursuit of this possible use will not influence the timing of this project nor the Developer's ability to proceed.

B. Parking Facility

It is presently proposed that Floors 1 to 7 of Building 199 be converted to a parking structure of approximately 960 spaces, conforming to Scheme C of the 1982 Steffian Bradley Report. The value of this parking structure to the project and, more importantly, to the overall success of the Navy Yard redevelopment is fully appreciated. In view of the magnitude of costs related to such extensive parking structure development, the proposed conversion is conditional upon a UDAG grant in a sufficient amount and with satisfactory terms so as to retain the economic feasibility of such an undertaking. It is the Developer's intention to work with the Boston Redevelopment Authority to address the clear need for adequate parking for the entire Shipyard and to strike an equitable balance of funding from public and private sources

which makes possible a parking program satisfactory to all concerned.

C. Buildings 149 and 199 (Floors 8 and 9)

As described in our original proposal and further articulated in "The Hatchery" concept discussed herein above, Building 149 and Floors 8 and 9 of Building 199 will be renovated for low-cost rental space designed to attract start-up businesses involved in research and development or light manufacturing fields.

5. Development Capital Budget

Our development proposal is based on an estimated capital budget of \$20 million, of which \$14,221 million are attributable to hard costs and \$5,829 million to soft costs, as summarized below:

	Bldg. #149 (000's)	Bldg. #199 (000's)	Total (000's)
Est. Material & Labor Costs	\$4,811	\$ 7,887	\$12,698
Plus: Overhead & Profit @ 12%	577	946	1,523
Total Construction Costs	5,388	8,833	14,221
Plus: A&E Fees @ 7%	377	618	995
Plus: Marketing & Promotion	374	74	448
Plus: Developer Fees	600	300	900
Subtotal	6,739	9,825	16,564
Plus: Contingency @ 8%	539	786	1,325
Total Est. Development Costs	7,278	10,611	17,889
Less: Operating Cash Surplus	(676)	(179)	(855)
Total Cash Requirements	6,602	10,432	17,034
Plus Construction Interest	1,624	1,392	3,016
Net Capital Budget	<u>\$8,226</u>	<u>\$11,824</u>	<u>\$20,050</u>

A. Developer Fees and Carrying Costs

In response to questions raised regarding developer fees and carrying costs, a detailed analysis of these cost items appears on Schedule 2, attached hereto. In summary thereof, budgeted developer fees of \$900,000, which are distinct

from the 12% Overhead & Profit attributable to the construction contract budget, primarily reflect organization and project management costs to be incurred by the Raymond Cattle Company. The \$900,000 budget includes legal fees, accounting costs, clerical and secretarial salaries and wages, project manager salaries, and office overhead. Carrying costs for real estate taxes and lease payments to the Boston Redevelopment Authority are discussed below.

B. Construction Interest

Estimated construction interest is based on an assumed rate of 15%, which is higher than prevailing market rates to reflect the additional costs of financing fees. Annual interest expense calculations during the construction period assume that cumulative development costs at the beginning of each year will incur a full year of interest at 15%. Current year development costs are assumed to incur, on average, a half year of interest at 15% to give effect to the monthly drawdowns of current year cash requirements.

C. Operating Cash Surplus

It is assumed that the conversion of Building 149 will be phased in over a three-year period and that the projected operating cash surplus (before debt service and payments to the City) from this building during the years 1984 through 1986 will be absorbed by the development project. Similarly, it is also assumed that the projected operating cash surplus (before debt service and payments to the City) from the parking facility in Building 199 during the first half of 1987 will also be absorbed by the development project.

6. UDAG Funding, BRA Lease Payments and Real Estate Taxes

In response to questions raised regarding UDAG funding, BRA lease payments and real estate taxes, attached hereto is a projection of these operating costs for both buildings through 1993.

A. UDAG Funding

Based on our current discussions with financial institutions, we anticipate financing the \$20 million proposed development project with \$10 million of institutional debt, \$5 million of UDAG funds and \$5 million-plus of private capital. This tentative debt/equity mix is predicated on the development project described in our proposal and assumes that the UDAG,

to be funded upon completion of the parking facility, will be repaid at an annual constant rate of 5%, or \$250,000 per year. As previously discussed hereinabove, the amount of UDAG funds required is directly related to the parking facility and thus is subject to change if the final number of parking spaces substantially varies from our proposal.

B. BRA Lease Payments

We propose that lease payments to the BRA be based on project results in recognition of the BRA's catalytic role as project initiator and property owner. The enclosed projections assume that the lease payments will be set at 7% of gross revenues from both buildings, resulting in projected payments of \$23,000 in 1985 upwards to \$380,000 in 1993. These proposed lease terms acknowledge the financial reality of needing to minimize carrying costs during the start-up period in return for more substantial lease payments in the later years when the project is fully developed.

C. Real Estate Taxes

It is assumed that Buildings 149 and 199 will be taxed at the prevailing rate for industrial space of \$32.54 per \$1,000 of assessed valuation. For purposes of projecting annual real estate taxes, we have assumed that the assessed valuations in any given year will equal the fair market value of the property derived by capping the projected "free and clear" operating cash flow (before debt service) from the two buildings, using a 12% capitalization rate. Giving effect to the foregoing assumptions results in projected taxes of \$38,000 in 1985 upwards to \$763,000 in 1993.

D. Aggregate Revenues to the City

Aggregate revenues to the City of Boston arising from BRA lease payments, real estate taxes and repayment of UDAG funds, per the enclosed projections, which commence at \$62,000 in 1985 and escalate to \$1,400,000 in 1993, total \$7.5 million through 1993. Based on our analysis of projected market trends, we believe that, over the long term, the projected revenue potential for the City of Boston is realistic and, moreover, that these long-term revenue projections are conservative.

Notwithstanding the above, we also recognize that because the proposed development project is designed to stimulate economic growth in Boston and attract prospective users by offering below-market rents, the direct beneficiaries of the project; namely, the City of Boston and the Developer, may be required to defer short-term cash benefits. More specifically, we anticipate that the proposed development project will adequately absorb all current year operating expenses by 1990. Prior to 1990, some portion of projected payments to the City of Boston will have to be accrued and deferred until 1990, at which time the project is projected to generate surplus cash in excess of all current year expenses, including the then current year's obligations to the City. How much and which dollars are to be deferred will need to be addressed by the appropriate city authorities working through the BRA and Project Developer.

In conclusion, it is hoped that the above information and attached schedules respond adequately to the requests for clarification of several issues in our original proposal. We look forward to meeting with you in the near future to respond to any additional questions which may arise and anticipate a mutually rewarding relationship with the Boston Redevelopment Authority.

Attachments

Schedule 1

BOSTON NAVAL SHIPYARD AT CHARLESTOWN
BUILDINGS #149 AND #199
BUILDING AREA

FLOOR	FLOOR AREA DIMENSIONS	GROSS SQ FT	LESS: ATRIUM	LESS: SHAFTS	NET USABLE SQ FT
-----	-----	-----	-----	-----	-----
BUILDING #149:					
FLOOR 1	185' X 445'	82325	0	-2224	80101
FLOOR 2	185' X 445'	82325	-4800	-2224	75301
FLOOR 3	185' X 445'	82325	-4800	-2224	75301
FLOOR 4	185' X 445'	82325	-4800	-2224	75301
FLOOR 5	185' X 445'	82325	-4800	-2224	75301
FLOOR 6	185' X 445'	82325	-4800	-2224	75301
FLOOR 7	185' X 445'	82325	-4800	-2224	75301
FLOOR 8	185' X 445'	82325	-4800	-2224	75301
FLOOR 9	184' X 184'	33856	0	-640	33216
FLOOR 10	184' X 184'	33856	0	-6640	27216
		-----	-----	-----	-----
SUBTOTAL		726312	-33600	-25072	667640
PLUS: ROOF	185' X 445'	82325	-4800	0	77525
		-----	-----	-----	-----
TOTAL BUILDING #149		808637	-38400	-25072	745165
		=====	=====	=====	=====
BUILDING #199:					
FLOOR 1	176' X 396'	69696	N/A	-2064	67632
FLOOR 2	176' X 396'	69696	N/A	-2064	67632
FLOOR 3	176' X 396'	69696	N/A	-2064	67632
FLOOR 4	176' X 396'	69696	N/A	-2064	67632
FLOOR 5	176' X 396'	69696	N/A	-2064	67632
FLOOR 6	176' X 396'	69696	N/A	-2064	67632
FLOOR 7	176' X 396'	69696	N/A	-2064	67632
FLOOR 8	176' X 396'	69696	N/A	-2064	67632
FLOOR 9	176' X 396'	69696	N/A	-10160	59536
		-----	-----	-----	-----
SUBTOTAL		627264	N/A	-26672	600592
PLUS: ROOF	176' X 396'	69696	N/A	0	69696
		-----	-----	-----	-----
TOTAL BUILDING #199		696960	N/A	-26672	670288
		=====	=====	=====	=====
TOTAL BLDGS #149 & #199		1505597	-38400	-51744	1415453
		=====	=====	=====	=====

Schedule 2

BOSTON NAVAL SHIPYARD AT CHARLESTOWN
BUILDINGS #149 AND #199
ESTIMATED CAPITAL BUDGET DEVELOPER FEES

	1984	1985	1986	1987	TOTAL
	----	----	----	----	-----
BUILDING #149:					

LEGAL FEES	75000	50000	50000		175000
ACCOUNTING FEES	15000	25000	25000		65000
PROJECT MANAGER	30000	60000	60000		150000
CLERICAL/SECRET		25000	25000		50000
OVERHEAD & PROFIT		80000	80000		160000
	-----	-----	-----	-----	-----
TOTAL BLDG #149	120000	240000	240000	0	600000
	=====	=====	=====	=====	=====
BUILDING #199:					

LEGAL FEES			50000	25000	75000
ACCOUNTING FEES			25000	12500	37500
PROJECT MANAGER			60000	30000	90000
CLERICAL/SECRET			25000	12500	37500
OVERHEAD & PROFIT			40000	20000	60000
	-----	-----	-----	-----	-----
TOTAL BLDG #199	0	0	200000	100000	300000
	=====	=====	=====	=====	=====
TOTAL BLDGS #149 & #199:					

LEGAL FEES	75000	50000	100000	25000	250000
ACCOUNTING FEES	15000	25000	50000	12500	102500
PROJECT MANAGER	30000	60000	120000	30000	240000
CLERICAL/SECRET	0	25000	50000	12500	87500
OVERHEAD & PROFIT	0	80000	120000	20000	220000
	-----	-----	-----	-----	-----
TOTAL BLDGS #149 & #199	120000	240000	440000	100000	900000
	=====	=====	=====	=====	=====

Schedule 3

BOSTON NAVAL SHIPYARD AT CHARLESTOWN BUILDINGS #149 AND #199 10 YEAR PROJECTION OF PAYMENTS TO CITY OF BOSTON

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	TOTAL
I. ESTIMATED BRA LEASE PAYMENTS:											
EST GROSS REVENUE BLDG #149	0	329300	782088	1038775	1450400	1779700	1846300	2257925	2587225	2653825	14725538
EST GROSS REVENUE BLDG #199	0	0	0	904800	1371600	1669440	2206320	2328960	2451600	2778240	13710960
TOTAL EST GROSS REVENUES	0	329300	782088	1943575	2822000	3449140	4052620	4586885	5038825	5432065	28436498
BRA LEASE PMTS @ 7% GROSS	0	23051	54746	136050	197540	241440	283683	321082	352718	380245	1990555
II. ESTIMATED REAL ESTATE TAXES:											
OPERATING CASH FLOW BEFORE DEBT SERVICE & PMTS TO CITY BUILDING #149	0	204287	472506	572255	943151	1232309	1264636	1629491	1912198	1937637	10168470
BUILDING #199	0	0	0	465315	836837	1094068	1581103	1664122	1744794	2020841	9407080
SUBTOTAL	0	204287	472506	1037570	1779988	2326377	2845739	3293613	3656992	3958478	19575550
LESS: BRA LEASE PMTS @ 7%	0	-23051	-54746	-136050	-197540	-241440	-283683	-321082	-352718	-380245	-1990555
LESS: REAL ESTATE TAXES	0	-38662	-89118	-192315	-337573	-44765	-546546	-634110	-704878	-763320	-3751287
OP CASH FLOW BEF DS (FR&CL)	0	142574	328642	709205	1244875	1640172	2015510	2338421	2599396	2814913	13833708
*EST FMV BLDGS #149 & #199	0	1188118	2738683	5910039	10373960	13668098	16795915	19486844	21661634	23457612	
EST RE TAXES @ \$32.54/\$1K	0	38661	89117	192313	337569	444760	546539	634102	704870	763311	3751241
III. EST UDAG PMTS @ 5% \$5M:			250000	250000	250000	250000	250000	250000	250000	250000	1750000
TOTAL EST CITY REVENUES	0	61712	143863	578363	785109	936200	1080222	1205184	1307587	1393555	7491795
EST CUM CITY REVENUES	0	61712	205575	783938	1569047	2505247	3585469	4790653	6098240	7491795	

* THE PROJECTED AGGREGATE FAIR MARKET VALUE OF BUILDINGS #149 AND #199 REPRESENTS THE CAPITALIZED VALUE OF THE CURRENT YEAR FREE AND CLEAR OPERATING CASH FLOW USING AN ASSUMED 12% CAPITALIZATION RATE.

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